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PRICE POLICY IN CHINA'S FOREIGN TRADE, 1951

Yuan Hsien-neng

Why Capitalists Quote CIF Prices

Exporters from capitalist countries usually quote CIF (cost, insurance, and freight) prices to buyers (importers) to cover all shipping responsibilities including the prepayment of freight and insurance charges until the goods reach the buyer. This practice followed by traders in the advanced capitalist countries of quoting CIF prices has as its basis the acquisition of business for their shipping and insurance companies. Capitalists quote CIF prices to China as propaganda for the expansion of their export trade.

FCB Prices for Exports From China

China adopts the FOB price policy for her exports so that she will not be responsible in case the cargoes are embargoed, detained, or destroyed while being transported on ocean steamers. This policy is to remind the customers that it is necessary for them to take care of their cargoes throughout the entire ocean voyage. The price of goods is reduced by an amount equal to the difference between the CIF price and the FOB price. Thus, the responsibility for carrying the freight and covering the insurance rests with the freight ocean shipping and insurance companies.

Possible Change in Price Policy

Since it is desirable that China's shipping insurance business be developed, in the future it is possible that China will adopt a cost and insurance price policy for exports. The Central People's government started this insurance business, and insurance should be handled by China's government-owned or government-and-privately-owned companies. These insurance companies have tremendous amounts of capital and are able to underwrite any quantity of foreign trade.

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Also, insurance for foreign goods imported by China can be handled by China's insurance companies, adopting a cost and freight or FOB price policy. The foreign suppliers only need to pay freight charges on the cargo shipped.

Development of ocean shipping companies in China is under consideration. In the future, China is to handle her own shipping and insurance for imports and exports.

Cost and Insurance Prices for Exports and Cost and Freight Prices for Imports

China will adopt a cost and insurance price policy for her exports and a cost and freight price policy for her imports in the future. China's insurance charges are no higher than those of foreign insurance companies. Steps are being taken to develop a price policy which is mutually agreed upon by the buyer and the seller in foreign trade.

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